

# Instructions for Form FTB 3580

## Application and Election to Amortize Certified Pollution Control Facility

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2005**, and to the California Revenue and Taxation Code (R&TC).

### General Information

#### A Purpose

Use form FTB 3580, Application and Election to Amortize Certified Pollution Control Facility, to request certification of a pollution control facility placed in service in California, and to elect to amortize the basis over a period of 60 months. This election follows the provisions of the Internal Revenue Code (IRC) Section 169 and the Revenue and Taxation Code (R&TC) Sections 17250(b) and 24372.3, which are subject to the rules relating to corporate preferences of IRC Sections 291(a)(5) and 1363(b)(4), and R&TC Sections 24449 and 23800. The amortizable basis for this purpose may be limited. See definition of amortizable basis below.

The certified pollution control facility amortization deduction is in lieu of otherwise allowable depreciation.

#### B Definitions

**Adjusted basis** – includes the cost of purchase and installation or, if the facility is fabricated by you, the cost of labor and materials.

If the useful life of the facility is more than 15 years, you must reduce the adjusted basis of the facility to an amount that is in the same ratio as 15 years is to the facility's total years of useful life.

**For example:** If the adjusted basis of the facility is \$500,000 and its useful life is 20 years, then compute the amortizable basis as follows:

$$\$500,000 \times \frac{15}{20} = \$375,000$$

The \$375,000, if elected, will be amortized over 60 months. The remaining adjusted basis of \$125,000 (\$500,000 less \$375,000) may be depreciated over 20 years, the useful life of the facility.

You may not increase the basis elected to be amortized by the cost of additions or improvements after the amortization period begins.

**Amortizable basis** – the portion of the adjusted basis that may be amortized, for determining gain, of a certified pollution control facility.

**Certified pollution control facility** – a new identifiable treatment facility located in California and used, in connection with a plant or other property in operation before January 1, 1976, to abate or control water or atmospheric pollution or contamination by removing, altering, disposing, storing, or preventing the creation or emission of pollutants, contaminants, wastes, or heat.

The facility must not significantly:

- Increase the output or capacity, extend the useful life, or reduce the total operating costs of such plant or other property.
- Alter the nature of the manufacturing or production process, or facility.

The State Air Resources Board (air pollution) or the State Water Resources Control Board (water pollution) must certify that the pollution control facility conforms with the state program or requirements for abatement or control of water, or atmospheric pollution or contamination.

**New identifiable treatment facility** – tangible property, not including a building and its structural components unless the building is exclusively a treatment facility, which is subject to an allowance for depreciation as provided in IRC Section 167. It must be identifiable as a treatment facility, and must meet **one** of the following two conditions.

1. You must have completed construction, reconstruction, or erection of the property after December 31, 1968. However, if the treatment facility is used in connection with any plant or other property not in operation before January 1, 1969, you must have completed the construction, reconstruction, or erection of the treatment facility property after December 31, 1975.
2. You must have acquired the property after December 31, 1968, if the original use of the property begins with you after this date.

**Original use** means the first use to which the property is put, whether or not the use corresponds to your current use of the property.

#### C Amortization Period

At your election, the 60-month amortization period begins with the month following the month, or with the year following the year, in which you completed or acquired the facility.

Effective for taxable years beginning on or after January 1, 1993, for C corporations, and for elections to amortize made during the first three taxable years following the conversion of a C corporation to an S corporation, only 80% of the adjusted basis of the certified pollution control facilities may be amortized over 60 months. Accordingly, for corporations the amortizable basis of certified pollution control facilities for which a rapid amortization election is made must be reduced by 20% (see IRC Sections 291(a) and 1363(b)(4), and R&TC Sections 24449 and 23800).

#### D Election and Certification

Make the election to amortize the amortizable basis of a certified pollution control facility by completing Part I and Part II of form FTB 3580. Then apply for certification as follows:

**Air pollution.** If this election applies to air pollution, apply for certification from the State Air Resources Board. Mail the original and two copies of the completed form FTB 3580 to:

STATIONARY SOURCE DIVISION  
ATTN: DIVISION CHIEF  
STATE AIR RESOURCES BOARD  
PO BOX 2815  
SACRAMENTO CA 95812-2815  
Telephone: (916) 322-6026

The State Air Resources Board will add its certification to Part III if the facility meets the law requirements. They will return the original and one copy of form FTB 3580 to you. Attach the original to the first tax return filed with the Franchise Tax Board (FTB) on which you deduct the amortization. Keep the copy for your records.

**Water pollution.** If this election applies to water pollution, apply for certification from the State Water Resources Control Board. Mail the original and two copies of the completed form FTB 3580 to:

~~STATE WATER RESOURCES CONTROL BOARD~~  
~~PO BOX 100~~  
~~SACRAMENTO CA 95812-0100~~

The State Water Resources Control Board will add its certification to Part III if the facility meets the law requirements. They will return the original and one copy of form FTB 3580 to you. Attach the original to the first tax return filed with the FTB on which you deduct the amortization. Keep the copy for your records.